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ABSTRACT

This talk begins with a brief comment on some of the responsibilities of the United States General Accounting Office (GAO) to clarify why it is interested in Planning Programming Budgeting (PPB). The discussion of PPB as a tool for legislative planning is started by reviewing the recent congressional hearings on the subject including a summary of the Comptroller General's statements. This is followed by an account of the historical antecedents of PPB and related developments. The role of GAO is described as being broader than the specific interests of most congressional committees. The growing interest of Congress in analysis and information systems is indicated by several recent proposals introduced in both houses which are directed to this matter. Economic Opportunity Programs are investigated and a survey of PPB in the Executive Branch is presented. It is concluded that the interest expressed by the Congress in improved program review and analysis has been representative of both older and newer members and also has been representative of both parties. The talk is closed with a few remarks about the information systems aspect of this whole subject. (NH)

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PPB as a Tool in Legislative Planning

by

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Office of Policy and Special Studies
United States General Accounting Office

Paper presented at an Institute on Program Planning and Budgeting Systems for Libraries at Wayne State University, Detroit, Michigan, Department of Library Science, Spring 1968

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Introduction

by
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The following paper was presented at an institute on Program Planning and Budgeting Systems for Libraries, held at Wayne State University under the Higher Education Act, Title IIB, in the spring of 1968.

The intent of the institute was to introduce administrators and finance officers of large libraries, public, state, and academic to the principles and procedures of PPBS.

Each participant in the institute brought with him the most recent budget document from his own library, and with the help of the institute staff, attempted to convert it into a PPBS presentation.

PPB as a Tool in Legislative Planning

by
Keith E. Marvin, Associate Director
Office of Policy and Special Studies
United States General Accounting Office

Because some of you may not be familiar with the United States General Accounting Office, I should like to comment briefly on some of our responsibilities. This will, I believe, clarify for you why the General Accounting Office (GAO) is interested in Planning-Programming-Budgeting(PPB).

The BAO was created by the Budget and Accounting Act of 1921 as an agency in the legislative branch to check on the Government's financial transactions and to assist the Congress in exercising its constitutional power of the purse. Except in certain limited instances specified by law, we have the responsibility for auditing the financial transactions of all agencies of the Federal Government. The General Accounting Office is headed by the Comptroller General, Mr. Elmer B. Staats, who is appointed by the President for a term of 15 years.

The Budget and Accounting Procedures Act of 1950, which expanded and clarified the function of the General Accounting Office, requires the Comptroller General to prescribe the principles, standards, and related requirements for accounting to be observed by each agency in the executive branch. The 1950 act also provides that our auditing be directed at determining the extent to which financial transactions have been consummated in accordance with laws, regulations, or other legal requirements and at determining whether adequate financial control over operations is exercised. In short, the General Accounting Office is required to make examinations into the

manner in which executive agencies discharge their financial responsibilities.

We report our more significant audit findings, most of which call attention to opportunities for savings in the administration of Federal activities, to the Congress and its appropriate committees. In fiscal year 1968 we issued 157 reports to the Congress, 231 reports to committees or members of the Congress, and 765 reports to various agency officials.

The interest of the General Accounting Office in improved financial management is evidenced, in part, by our interest and the interests of the Secretary of the Treasury and the Bureau of the Budget in the Joint Financial Management Improvement Program which has been in existence since 1947. This program has long emphasized that agencies should have a systematic approach to financial management, especially in the audit and budgeting processes, and the provision of accounting support for budget justifications. In this regard the accounting principles and standards of the Comptroller General require that agencies' accounting systems must support the agencies' PPB systems before the accounting systems can be approved by the Comptroller General.

The formal introduction of the PPB system in 1965 was another step taken to improve the Federal budget system. The system, as I see it, emphasizes more systematic use of planning and economics and quantitative analysis techniques. Because the system has a direct impact on financial management, on agency efficiency, and on the effectiveness of agencies' programs, you can understand why we in the General Accounting Office have a strong interest in the subject of PPB.

I will begin my discussion of PPB as a tool for legislative planning by reviewing the recent congressional hearings on the subject.

Congressional Hearings on PPB

Two committees of the Congress have held extensive hearings on the subject of PPB. First, the Joint Economic Committee has held a series over the past year dealing with the progress and potentials of PPB. These hearings have emphasized Federal Capital Investment Program decisions and therefore have become deeply involved in the question of discounted future costs and benefits and have generated considerable new and needed thinking on the question of what discount rate or rates should be used for evaluating alternative programs. A difference of one or two percentage points in the discount rate is found to have a substantial impact on the benefit/cost ratios of various projects, depending upon their respective benefit and cost flows over the life of the projects.

The second important series of hearings has been held over the past year by the Subcommittee on National Security and International Operations of the Senate Committee on Government Operations. This series recognized the political aspects of the legislative decision-making process and the problems of relating the products of PPB to this process. Emphasis, of course, during these particular hearings was on the Department of Defense, State Department, AID, and other foreign affairs activities.

Summary of Comptroller General's Statements

The Comptroller General has testified at both of the hearings just described. His testimony before the Joint Economic Committee dealt with a report prepared in my office dated January 29, 1968, on "Survey of Use by Federal Agencies of the Discounting Technique in Evaluating Future Programs." The conclusions of our report recognize the value within various agencies

of their use of the discounting technique. However, the report points out that there has been little recognition that the evaluation of Federal programs calls for a common yardstick for use by all agencies.

The report does not state a specific conclusion regarding the rate which should be used. It does, however, explore the wide gulf existing between proponents of the use of opportunity cost in the private sector versus those who would use a Government cost of borrowing usually a long-term bond coupon rate. The true cost of borrowing is found in the report to be substantially higher than the coupon rate because of the foregone taxes which would have been received from the private sector had the funds not been absorbed by the Federal program. Thus when recognition is given to foregone taxes, the result is to substantially narrow the gap in terms of rates advocated by the two schools of thought.

A series of hearings on the subject held in July and August 1968 by the Joint Economic Committee was recently published, and, although various philosophies and methods of computation are presented, these hearings support, in general, the finding of the General Accounting Office that the long-term bond coupon rate is an inadequate measure of the time preference for Government funds.

The Comptroller General's testimony before the Senate Subcommittee was a more philosophical statement which was based heavily on his many years of experience in the Bureau of the Budget in the executive branch of the Government. His statement explored the essential elements of PPB, the historical antecedents of PPB, the implications of PPB for the Congress, and the limitations and qualifications for the future potential of PPB. The statement

summarized the essential elements of PPB as an effort to establish, on a Government-wide basis, a common approach and procedure for:

1. Establishing longer-range planning in terms of Federal objectives and goals as defined by the Congress or the President.

2. Identifying the most advantageous programs to fulfill these objectives on the basis of an analysis of costs and benefits of available alternatives.

3. Translating programs into budgetary and legislative proposals and longer term projections. Inasmuch as the end products have been principally budgetary recommendations, some would prefer the simpler, more easily understood term "program budgeting" as embracing all three elements. The Comptroller General would favor the simpler term.

Antecedents and Related Developments

The historical antecedents of PPB are a complete subject in themselves, since they date back as far as the Rivers and Harbors Act of 1902 which called for cost benefits analyses for water resource programs. That beginning has been followed by various acts over the years which culminated in 1962 with the formation of a Water Resources Council in the Executive Office of the President. The various phases of the Bureau of the Budget efforts to project future program costs over 5 or more years began around 1946. The Federal budget still contains a classification by 12 functional categories, which are essentially those adopted when this type of presentation was first transmitted with the President's 1946 budget. This was another early and continuing effort to get at Government-wide costs relatable to specific Federal objectives.

The basice philosophy underlying PPB appears to be little different from that which led to the functional presentation. However, the two approaches are not always compatible because the one has become rather traditional and

inflexible, whereas the PPB systems are much more detailed and are relevant in terms of the present Federal programs and organizations.

The functional presentation of the budget provided the basis for special analysis. A special analysis of public works programs was followed soon by analyses on programs for research and development and for health, education, and welfare. These special analyses have continued over the years, and all are found in the special analyses submitted with the fiscal 1969 budget. It is worth noting that the special analyses are primarily a segregation of the program financing and provide very little in the way of program benefits information. Provided the reader has a separate source of benefit measures, the special analyses do provide a very aggregate indicator of the degree to which national resource allocation is consistent with any particular definition of current national goals and objectives.

Another antecedent of PPB which is still having substantial impact on the whole Federal budget process is the advent of performance and cost-based budgeting which followed the first Hoover Commission. The 1951 budget required the presentations and justifications to be built on the framework of programs and activities rather than on the objects of expenditure as in the past. In other words, the budget became more oriented to output rather than to purely input definitions.

Various legislation has dealt specifically with these matters. The Budget and Accounting Procedures Act of 1950 established a legal framework for this increased emphasis on performance. It specifically recognized the efforts which had already begun to conduct a joint program for the improvement of financial management. From its inception this was an effort to encourage the

development of budget patterns and accounts that would provide a common basis for program planning, budget preparation, accounting, and operational control.

A Role for the General Accounting Office

The Comptroller General's statement to the Senate Subcommittee, in commenting on the implications of the PPB system for the Congress, noted that it is "difficult to say just what the finalized expressed needs of the Congress will be." The statement also recognized the intent of the executive agencies to support the President's budget by analyses developed from the PPB system. The Comptroller General then suggested that Congress and its committees could inquire of the responsible executive branch officials as to the specific objectives sought, the alternatives which were considered, and the results of the analyses of the alternatives. In other words, the Congress should be able to obtain substantive information developed from the executive agency PPB systems which would be helpful in its evaluation of the Federal programs. As an agency of the Congress, the General Accounting Office is exploring the ways in which it can be responsive to this need.

Within the framework thus established, it appears that the emphasis should be upon problem definition and upon the rational structuring of the analyses required to understand the alternative solutions. The General Accounting Office is in a position to take a very comprehensive Government-wide and program-wide point of view toward this problem. In this respect the scope of GAO work is broader than the specific interests of most congressional committees. Therefore, the results of its work should be

of use to more than one committee in structuring more comprehensive requests to the executive agencies for supporting information.

The Interest of Congress

The growing interest of the Congress in analyses and information systems is indicated by several recent proposals that have been introduced in both houses of the Congress directed to this matter. The Legislative Reorganization Act of 1967 which passed the Senate in 1967 would, among other things, call for specific support from the General Accounting Office on both analysis and supporting information systems. This bill has not passed the House, but the reasons appear to be because of its provisions affecting the Congress rather than because of those affecting the General Accounting Office. Recent pressures in the House to get this bill out of committee have been reported by the press.

Other bills have proposed the creation of particular organizations or commissions or committees to serve the needs of the Congress. Each proposal has an objective of increasing the quantity and quality of information available to the Congress on the implications of proposed programs and the execution and results of existing programs.

I believe one of the more interesting of the proposals in a concurrent resolution which has been submitted by numerous sponsors in both houses which will establish a joint select committee on Government program analysis and evaluation. This resolution recognizes the need of the Congress to make some organized effort to decide how it is going to obtain this assistance. It recognizes four different approaches which have been proposed as follows: Firts, the establishment of an ad hoc independent bipartisan commission;

second, an expansion of the role and function of the existing agencies and authorities, such as the General Accounting Office; third, improved staffing of standing committees of the Congress; and fourth, the establishment of a central staff or office as an integral part of the Congress.

It appears that, in the absence of specific legislation, there is some inevitable movement in the direction of fulfilling the need partially through the first three methods mentioned. There has appeared to be little interest so far in the establishment of a separate, independent office. My own preference would be for the gradual expansion of analytical capability on both the General Accounting Office and the committee staffs, supported as the Congress sees fit by blue-ribbon commissions to emphasize the solution of urgent problems.

Satisfactory evaluations for the Congress appear to be possible within the existing framework. Establishment of a new legislative office would appear to me to complicate the organizational relationships involved.

It is important to note here that the General Accounting Office itself has undergone a complete face-lifting over the past two decades. It originally was devoted almost entirely to the detailed audit of vouchers for all public expenditures many months after the transaction. Over the last two decades, this work has been essentially eliminated and transferred to the executive agencies' audit functions. In its place has evolved what is known as the comprehensive audit approach of the General Accounting Office. This has led to a gradual expansion of the scope of the GAO audits in which evaluations of program effectiveness fit very naturally. The primary administrative problem for the General Accounting Office is to determine the

specific skills, both numbers and types, which must be added to the staff to expand the investigative criteria to cover multiple facets of program effectiveness.

Investigation of Economic Opportunity Programs

The Congress indicated considerable confidence in the ability of the General Accounting Office to expand the scope of its evaluative work in the passage of the amendments to the Economic Opportunity Act of 1967. That amendment required the General Accounting Office to investigate all the programs funded by the act with respect to both the efficiency of operations and the extent to which the programs are meeting the objectives of the original act.

The work under the Economic Opportunity Act of 1967 has become a major project this year involving both detailed field work in four regions of the country and also some broad interagency studies of national scope which include contracted statistical and economic analyses and contracted evaluation of the relevant national information systems. It is intended in the nationally oriented contract work not only to evaluate programs under the direction of the Office of Economic Opportunity (OEO), but also to compare these with programs in related agencies which deal with the same target populations. For example, title I of the Elementary and Secondary Education Act, deals in part with the same target populations as the Head Start Programs. Basic Adult Education programs in HEW deal in part with the same problem as Adult Education Programs in OEO community action agencies. The Manpower Development and Training Program in the Department of Labor deals in part with the same target group as the Neighborhood Youth Corps and the Job Corps.

My reason for mentioning these examples is that I believe as the Congress and the GAO enter into the area of program effectiveness, there will be a growing need to perform Government-wide evaluations. A difficult challenge for the General Accounting Office will be to develop efficient means of relating these Government-wide reviews to the more traditional detailed work which will continue by the staffs in each of the agencies.

We expect to solve this problem partly by a training program to be started next winter for supervisory level GAO employees. This training course will make use of new techniques of systems analysis and operations research. In preparing examples for the training course we are drawing upon past GAO audits and reports, and we are pointing out in the course where specific analytical techniques could have been used to enhance the review. These examples will deal with rather well-defined areas and will therefore bring the analytical techniques down to the level where the auditors can see the application to specific problems. For example, the linear programming technique can be illustrated using a past GAO review of the transportation costs incurred and the savings possible by sending men from selective service centers to the nearest induction centers.

The Survey of PPB in the Executive Branch

In order for the General Accounting Office to fulfill the charter outlined above, we considered it vital that a thorough understanding of the executive agency PPB process should be obtained. To accomplish this, a comprehensive survey was inaugurated early this, a comprehensive survey was inaugurated early this year in 22 of the executive agencies. This has been conducted by intensive interviews of the top-level PPB directors and

personnel and by requests for submission by the agencies of certain information in writing.

Several different aspects of the process are being examined. First, the program structures of the agencies down through the program element are being obtained together with the measures of output which are used by the agencies to relate costs and effectiveness within each program element. As I am using the term, a program element is a sub-division of a program category which comprises the specific products that contribute to an agency's objectives. The procedures and policies of the agencies are also being examined to determine what basis has been established and whether or not this is being followed.

The analytical documents which support the PPB system, particularly the program memoranda and the special studies, are being examined on a selective basis. The variety of analytical methods and the large number of analytical documents precludes a complete evaluation of all of them; however, selected analytical documents are being examined in detail, and these will provide a broad coverage of major types of Government programs.

The organization of the PPB function in each agency is being studied together with an evaluation of the manpower requirements for the operation of PPB. Manpower is being evaluated according to the types of work performed, the experience and educational background of the staff, and the grade levels of the staff.

The degree to which the PPB system is supported by the agency accounting system is being examined. We will give consideration to the need for expanding or clarifying the General Accounting Office principles for agency

accounting systems to enhance the value of accounting systems to the PPB process.

During our survey the agency is being asked to explain its won use of the outputs of the PPB system. Also, some consideration will be given to the information systems aspects of PPB since this is a subject of considerable interest to Congress. There may in fact be some misunderstanding at present concerning the degree to which executive agency program information could conceivably be obtained easily by committees and congressmen from a Government information system. We need a better understanding of the difficulties experienced by the various agencies themselves in mechanizing the various parts of the PPB process and using the information it produces.

Conclusion

This leads me to a few concluding remarks about the expressed needs of the Congress in this regard. I believe you will understand that this would be a very poor time for any very specific forecasts as to what the Congress may be requesting a few months hence. However, it is a fact that the interest expressed by the Congress in improved program review and analysis has been representative of both older and newer members and also has been representative of both parties. We must also remember that, with regard to specific Federal programs, there is not just one Congress but, rather, many individuals and many committees. The committees are frequently a reflection of the interests of the controlling members. Since a considerable amount of the work of the General Accounting Office is done in this area as in any other will be influenced by the future makeup of the congressional committees.

In closing, I should like to make just a few remarks about the information systems aspect of this whole subject. I know that librarians have been among the leaders in developing the application of computers to information retrieval. I presume your interest would be equally intense in the posibility of computerized information systems for the Congress.

My conclusion about this is that we should not expect any revolutionary system but, rather, a gradual evolution of information retrieval. There are many problems to be dealt with. For example, many of the agencies have not computerized very much of the data which deals with program achievements. Therefore, it may be possible initially that only the support of the current budget submission could be easily mechanized. With regard to the information which deals with program impact on individuals, business, and institutions, there is a conflicting interest stemming from invasion of privacy which must be considered. In fact, depending upon how strong that issue becomes, together with other issues related to it, it may be possible to fully mechanize much of the information of interest to the Congress regarding program impacts. These are all problems which will need continuing work.

It seems clear to me that we will continue to need a large dose of good old-fashioned analysis on the legislative side of the Government to thread our way through all these conflicting problems and interests and to provide improved information, program evaluation, and review as the need is expressed by the Congress.